



MCI Telecommunications
Corporation
1801 Pennsylvania Avenue, NW
Washington, DC 20006
202 872 1600

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Federal Communications Commission
Office of Secretary

VIA HAND DELIVERY

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

Ex Parte

Re: **CC Docket No. 95-116 -- QoR Cost Studies**

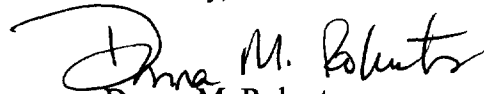
Dear Mr. Caton:

In response to staff requests, MCI hereby submits its analysis of the publicly available cost studies submitted by Bell Atlantic, Pacific Bell, GTE, Southwestern Bell and NYNEX. MCI is unable to provide analyses of any calculations and estimates that were submitted by companies claiming confidential treatment of their studies or portions thereof.

I also wish to note that MCI fully supports the complementary cost analysis presented in AT&T's *ex parte* submission which calculates a cost of QoR real time impact. (Note that the cost savings analyses submitted by the incumbent LECs fails to include such a cost calculation.)

I hope that this provides you with the information you require. Please do not hesitate to call me at (202) 887-2017 if you have any questions or require further supplementation.

Sincerely,


Donna M. Roberts
Senior Attorney

Enclosures

cc: Melinda S. Littell, Esquire
Susan E. McMaster, Ph.D
Jeannie Su, Esquire

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Bell Atlantic Cost Savings Analysis

- Bell Atlantic study claims QOR will save \$68.8M over 5 years.
- Assumes SCPs operate initially at 450 Transactions per Second (T/S), growing to 1000 T/S. Technology is available for SCPs to immediately operate at 800 T/S, growing to 2000 T/S.
Result: Substantially exaggerates (by more than 40%) number of SCPs needed for LRN.
- Fails to estimate additional SS7 ISUP load for QOR setup (i.e., switch real-time impact), and additional trunking costs. Switch vendors show QOR has greater impact than LRN at low levels of penetration, yet cost for QOR is ignored.
Result: Underestimation of QOR costs, and therefore exaggeration of QOR savings vs. LRN.
- Exaggerates SSP Hardware costs under LRN-only scenario by apparently failing to consider: 1) normal capacity upgrades scheduled to occur during portability implementation period; and 2) offsetting decrease in capacity demand as customers leave Bell Atlantic network.
Result: Specific impact can't be calculated due to insufficient data.
- Assuming use of non-link limited SCPs with 800 T/S capability reduces LRN SCPs needed by 9 (\$30.6M) and QOR SCPs needed by 2 (\$6.8M), reducing QOR cost savings by \$23.8M.

Assuming no differences in switch real-time impact (due to serious omissions in SSP Hardware estimates reduces QOR savings by \$28.9M.

Result: Elimination of \$52.7M in QOR savings, leaving "claimed" remaining savings of only \$15.1 M over a 5-year period.

Pacific Cost Savings Analysis

- \$71M previously claimed for QOR cost savings now up to \$130M.
- Proprietary designation prohibits any specific challenge to estimates -- no other ILEC submitting estimates made proprietary claim for same information.
- Assuming latest study is based on previous study filed in CA, Pacific includes numerous flaws and inconsistencies, including:
 - * Used .3 erlangs instead of .4 erlangs, resulting in exaggeration of required SCPs and A links.
 - * Incorrectly included real-time switch impacts for LRN only, and based calculations on data from single "worst case" vendor.
 - * Assumed addition of sufficient capacity to accommodate failure of largest IXC to perform own dips, resulting in exaggeration of required SCPs and A links, and failed to assume any offsetting revenues.Recalculated estimates show QOR savings nearly disappear even at low levels of portability.
- Latest claim to have discovered even greater switch real-time impacts, but only for LRN, suggests Pacific does not estimate additional SS7 ISUP load for QOR setup (i.e., switch real-time impact), and additional trunking costs. Switch vendors show QOR has greater impact than LRN at low levels of penetration, yet cost for QOR is ignored. Results in underestimation of QOR costs, and therefore exaggeration of QOR savings vs. LRN.
- Pacific further exaggerates switch real-time costs under LRN-only scenario by failing to consider: 1) normal capacity upgrades scheduled to occur during portability implementation period; and 2) offsetting decrease in capacity demand as customers leave Pacific network. Specific impact can't be calculated due to insufficient data.

GTE Cost Savings Analysis

- GTE now claiming 16% savings from QOR over 5 year period, while previous CA cost study showed only 11% savings at 20% porting rate and virtually no savings at 30% or higher porting.
- Current GTE estimate is completely unsupported by calling, penetration, pricing, engineering, or architecture assumptions, so detailed analysis not possible.
- Exaggerations and inconsistencies still obvious:
 - * Software RTU fee is higher for LRN-only than for LRN with QOR, by \$23M. (Bell Atlantic estimates show 52% increase with addition of QOR software).
 - * No difference justified between LRN and QOR for STP upgrades, yet GTE estimates \$5.8M additional STP upgrade cost for LRN-only.
- No apparent estimate of additional SS7 ISUP load for QOR setup (i.e., switch real-time impact), and additional trunking costs. Switch vendors show QOR has greater impact than LRN at low levels of penetration, yet cost for QOR is ignored. Results in underestimation of QOR costs, and therefore exaggeration of QOR savings vs. LRN.
- High total number of SCPs and high ratio of SCPs for LRN vs. QOR suggests GTE hasn't used optimal SCP technology (e.g., non-link limited SCPs with 800 T/S).
- Eliminating flawed savings estimates for software, STP Upgrades, and CO Memory/Hardware, and reducing estimates of SCP costs to reflect 4:1 LRN-QOR ratio, eliminates \$108M out of claimed \$136M in QOR savings.

SWB Cost Savings Analysis

- SWB study claims \$83M savings from QOR at 10% porting rate.
- Estimate is unsupported by sufficient calling, penetration, pricing, engineering or architecture assumptions, so detailed analysis is not possible.
- Assumes SCPs operate initially at 375 T/S, growing to 900 T/S. Technology is available for SCPs to immediately operate at 800 T/S, growing to 2000 T/S.
Result: Substantially exaggerates (by more than 50%) number of SCPs needed for LRN.
- Estimate apparently fails to estimate additional SS7 ISUP load for QOR setup (i.e., switch real-time impact), and additional trunking costs. Switch vendors show QOR has greater impact than LRN at low levels of penetration, yet cost for QOR is ignored.
Result: Underestimation of QOR costs, and therefore exaggeration of QOR savings vs. LRN.
- Exaggerates SSP costs under LRN-only scenario by apparently failing to consider: 1) normal capacity upgrades scheduled to occur during portability implementation period; and 2) offsetting decrease in capacity demand as customers leave SWB network.
Result: Impact can't be calculated due to insufficient data.
- Exaggerates LRN query load by assuming double its own query load as a result of performing queries for non-participating carriers, resulting in exaggeration of required SCPs and A links. Also fails to assume any offsetting revenues.
- Eliminating flawed savings estimates for SSP costs, and reducing SCP costs to reflect optimal SCP technology eliminates \$65M out of claimed \$84M savings from QOR.

NYNEX Cost Savings Analysis

- NYNEX claims \$50M in up-front savings, plus \$25M additional savings over 5 years.
- No assumptions or cost support provided -- claims should be disregarded.

BellSouth Cost Savings Analysis

- Previously claimed \$50M in QOR savings over 5 years; now claiming \$101.5M in QOR savings.
- No assumptions or cost support provided -- claims should be disregarded.